

**WATERWORKS DISTRICT NO. 7
OF WARDS 6 AND 4 OF CALCASIEU
PARISH, LOUISIANA**

**Component Unit Financial Statements
And Independent Auditor's Report**

September 30, 2010 and 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/16/11

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana

I have audited the accompanying balance sheet of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of September 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana as of September 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

Board of Trustees
Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana

In accordance with Government Auditing Standards, I have also issued a report dated January 13, 2011 on my consideration of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Steven M. DeRover, CPA

Lake Charles, Louisiana
January 13, 2011

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF SEPTEMBER 30, 2010**

The Management's Discussion and Analysis of the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended September 30, 2010. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

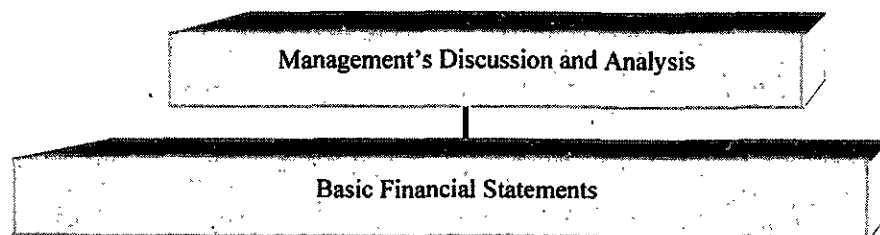
FINANCIAL HIGHLIGHTS

The District's assets exceeded its liabilities at the close of 2010 by \$2,531,516 which represents a 0.1% decrease from last fiscal year. Of this amount, \$435,317 (unrestricted net assets) may be used to meet the District's ongoing obligations to its users.

The District's operating revenue increased \$17,041 (or 3.9%) and the net results from activities decreased by \$36,761. A significant portion of this decrease in net results from activities is due to an increase in salaries, related payroll tax expense, and depreciation expense.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.



These financial statements consist of two sections - Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF SEPTEMBER 30, 2010**

Basic Financial Statements

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Balance Sheet; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Balance Sheet (pages 7 - 8) presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (page 9 - 10) presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement (pages 11 - 12) presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

	2010	2009	2008
Current and other assets	\$ 1,020,435	\$ 1,005,888	\$ 1,042,897
Capital assets	2,195,033	2,266,908	2,305,072
Total assets	3,215,468	3,272,796	3,347,969
Other liabilities	231,916	222,123	225,567
Long-term debt outstanding	452,036	515,402	575,350
Total liabilities	683,952	737,525	800,917
Net assets:			
Capital assets, net of related debt	1,742,997	1,751,506	1,729,722
Reserved for bond retirement	353,202	348,780	358,769
Unrestricted	435,317	434,985	458,561
Total net assets	2,531,516	2,535,271	2,547,052
Total liabilities and net assets	\$ 3,215,468	\$ 3,272,796	\$ 3,347,969

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
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AS OF SEPTEMBER 30, 2010**

Restricted net assets represent those assets that are not available for spending as a result of bond agreements. Conversely, unrestricted net assets are those that do not have any limitations for which these amounts may be used.

Net assets of the District decreased by \$3,755, or 0.1%, from September 30, 2009 to September 30, 2010.

	2010	2009	2008
Operating revenues	\$ 457,531	\$ 440,490	\$ 443,231
Operating expenses	(658,762)	(604,960)	(553,174)
Operating income (loss)	(201,231)	(164,470)	(109,943)
Non-operating revenues	232,436	191,264	245,282
Non-operating expenses	(34,960)	(38,575)	(43,138)
Non-operating income (loss)	197,476	152,689	202,144
Net increase (decrease) in net assets	\$ (3,755)	\$ (11,781)	\$ 92,201

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2010, the District had \$2,195,033, net of accumulated depreciation, invested in a broad range of capital assets, including land, right of ways, plant and distribution system, and furniture, fixtures, and equipment. (see table below). This amount represents a net decrease (including additions and deductions) of \$71,875, or 3.2%, over last year.

	2010	2009	2008
Land	\$ 38,564	\$ 38,564	\$ 38,564
Water Plant	3,934,329	3,869,434	3,753,266
Buildings	129,038	129,038	122,442
Furniture, Fixtures, and Equipment	20,328	20,328	18,828
Meters and Equipment	627,671	604,928	537,701
Construction in Progress	-0-	-0-	97,972
Less Accumulated Depreciation	(2,554,897)	(2,395,384)	(2,263,701)
Totals	\$ 2,195,033	\$ 2,266,908	\$ 2,305,072

This year's Major Capital additions included above were:

- Diesel Generator \$ 19,058
- Pine Forest Rd 6" Waterline Ext \$ 64,895

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF SEPTEMBER 30, 2010**

Debt

The District had \$452,036 in bonds outstanding at year-end, compared to \$515,402 last year, a decrease of 12.3%. A summary of this debt is shown in the table below.

Outstanding Debt at Year-end

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenue Bonds	\$ 452,036	\$ 501,402	\$ 547,350
General Obligation Bonds	<u>-0-</u>	<u>14,000</u>	<u>28,000</u>
Totals	<u>\$ 452,036</u>	<u>\$ 515,402</u>	<u>\$ 575,350</u>

The District's General Obligation bonds and Revenue bonds are AAA insured.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joe Withers, District Manager, Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish.

Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a Component Unit of
the Calcasieu Parish Police Jury
Balance Sheets
As of September 30,

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 509,646	\$ 195,389
Receivables - net of allowance for uncollectible accounts of \$3,631 for 2010 and \$3,178 for 2009	52,191	43,432
Interest	280	1,631
Prepaid insurance	13,175	11,655
Certificate of deposit	-	300,000
Total Current Assets	<u>575,292</u>	<u>552,107</u>
RESTRICTED ASSETS		
Cash and cash equivalents	422,714	430,811
Certificate of deposit	10,552	10,118
Total Restricted Assets	<u>433,266</u>	<u>440,929</u>
PROPERTY, PLANT, AND EQUIPMENT		
Water plant	3,934,329	3,869,434
Buildings	129,038	129,038
Office furniture and equipment	20,328	20,328
Meters and equipment	627,671	604,928
	4,711,366	4,623,728
Less: accumulated depreciation	<u>(2,554,897)</u>	<u>(2,395,384)</u>
	2,156,469	2,228,344
Land	38,564	38,564
Net Property, Plant, and Equipment	<u>2,195,033</u>	<u>2,266,908</u>
OTHER ASSETS		
Bond issue costs, (net of \$9,233 amortization)	3,877	4,852
Perpetual service agreement	8,000	8,000
Total Other Assets	<u>11,877</u>	<u>12,852</u>
TOTAL ASSETS	<u>\$ 3,215,468</u>	<u>\$ 3,272,796</u>

The accompanying notes are an integral part of the financial statements.

**Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a Component Unit of
the Calcasieu Parish Police Jury
Balance Sheets (continued)
As of September 30,**

	<u>2010</u>	<u>2009</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 7,723	\$ 2,604
Payroll taxes and retirement payable	15,038	11,891
Wages payable	19,509	19,163
DHH fees	32	32
Total Current Liabilities	<u>42,302</u>	<u>33,690</u>
CURRENT LIABILITIES (Payable from Restricted Assets)		
Customer deposits	79,100	76,400
Interest payable	10,512	12,031
Deferred tax revenue	100,002	100,002
Current portion of revenue bonds	59,000	56,000
Current portion of general obligation bonds	-	14,000
Total Current Liabilities (Payable From Restricted Assets)	<u>248,614</u>	<u>258,433</u>
LONG-TERM LIABILITIES		
Payable from restricted assets:		
Revenue bonds (net of current portion and deferred loss)	393,036	445,402
Total Long-Term Liabilities	<u>393,036</u>	<u>445,402</u>
Total Liabilities	<u>683,952</u>	<u>737,525</u>
NET ASSETS		
Capital assets, net of related debt	1,742,997	1,751,506
Restricted for bond retirement	353,202	348,780
Unrestricted	435,317	434,985
Total Net Assets	<u>2,531,516</u>	<u>2,535,271</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,215,468</u></u>	<u><u>\$ 3,272,796</u></u>

The accompanying notes are an integral part of the financial statements.

Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a Component Unit of
the Calcasieu Parish Police Jury
Statements of Revenues, Expenses, and Changes in Net Assets
For The Years Ended September 30,

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Water sales and fees	\$ 428,670	\$ 403,037
Member fees	10,000	8,400
Service charge income	8,781	17,318
Late charge income	10,080	11,735
Total Operating Revenues	<u>457,531</u>	<u>440,490</u>
OPERATING EXPENSES		
Amortization	975	1,044
Advertising	697	432
Board per diem	3,120	2,520
Bank charges	2,867	1,399
Chemicals	17,196	14,434
Depreciation	173,217	156,343
Dues and subscriptions	1,571	1,191
Fiscal agent fees	225	225
Fuel	13,741	9,111
Insurance	67,615	67,940
Office expenses	6,065	5,309
Payroll taxes and retirement	38,187	31,412
Permits and licenses	560	555
Postage	6,572	3,549
Professional services	8,609	8,820
Professional development	839	1,029
Repairs and maintenance	8,429	6,310
Salaries	234,233	226,061
Supplies	22,070	19,580
Telephone	7,413	5,424
Travel and meals	742	1,123
Uniforms	1,194	1,557
Utilities	41,742	38,912
Rent expense	430	403
Bad debt expense	453	277
Total Operating Expenses	<u>658,762</u>	<u>604,960</u>
INCOME FROM OPERATIONS	<u>\$ (201,231)</u>	<u>\$ (164,470)</u>

The accompanying notes are an integral part of the financial statements.

Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a Component Unit of
the Calcasieu Parish Police Jury
Statements of Revenues, Expenses, and Changes in Net Assets (Continued)
For The Years Ended September 30,

	<u>2010</u>	<u>2009</u>
NON-OPERATING REVENUES (EXPENSES)		
Tax revenue	\$ 159,194	\$ 176,035
CPPJ grant revenue	60,000	-
Revenue sharing	4,990	5,143
Pipe income	1,100	-
Interest income	2,459	2,934
Interest expense	(32,636)	(36,702)
Miscellaneous revenues	1,693	530
Miscellaneous expenses	(2,324)	(1,873)
Gain on disposal of fixed assets	3,000	6,622
Total Non-Operating Revenues	<u>197,476</u>	<u>152,689</u>
CHANGE IN NET ASSETS	<u>(3,755)</u>	<u>(11,781)</u>
NET ASSETS - Beginning of Year	<u>2,535,271</u>	<u>2,547,052</u>
NET ASSETS - End of Year	<u><u>\$ 2,531,516</u></u>	<u><u>\$ 2,535,271</u></u>

The accompanying notes are an integral part of the financial statements.

**Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a Component Unit of
the Calcasieu Parish Police Jury
Statements of Cash Flows
For The Years Ended September 30,**

	<u>2010</u>	<u>2009</u>
Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 448,772	\$ 447,075
Payments to suppliers	(244,566)	(225,803)
Payments to employees	(233,887)	(226,061)
Other	2,326	(1,635)
Net Cash Provided (Used) by Operating Activities	<u>(27,355)</u>	<u>(6,424)</u>
Cash Flows From Investing Activities:		
Proceeds from redemption of certificate of deposit	300,000	-
Purchase of certificate of deposit	-	(300,000)
Interest income	3,810	1,643
Net Cash Provided (Used) by Investing Activities	<u>303,810</u>	<u>(298,357)</u>
Cash Flows From Capital and Related Financing Activities:		
Capital expenditures for plant and equipment	(101,343)	(118,179)
Cash received on the sale of fixed assets	3,000	6,622
Principal payments on bonds	(70,000)	(59,948)
Principal payments on capital lease	-	(1,873)
Cash received for ad valorem taxes	159,194	176,035
Intergovernmental - revenue sharing	4,990	5,143
Cash provided from pipe income	1,100	-
Cash provided from CPPJ Grant	60,000	-
Cash provided from miscellaneous income	5,022	530
Cash used for miscellaneous expenses	(2,322)	(1,186)
Cash received (disbursed) for customer deposits	2,700	2,300
Interest expense	(32,636)	(36,702)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>29,705</u>	<u>(27,258)</u>
Net Increase (Decrease) in Cash	306,160	(332,039)
Cash and Cash Equivalents - Beginning of Year	<u>626,200</u>	<u>958,239</u>
Cash and Cash Equivalents - End of Year	<u>932,360</u>	<u>626,200</u>
Cash and Cash Equivalents:		
Cash - unrestricted	509,646	195,389
Cash - restricted	422,714	430,811
	<u>\$ 932,360</u>	<u>\$ 626,200</u>

The accompanying notes are an integral part of the financial statements.

**Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a Component Unit of
the Calcasieu Parish Police Jury
Statements of Cash Flows (Continued)
For The Years Ended September 30,**

	<u>2010</u>	<u>2009</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income	\$ (201,231)	\$ (164,470)
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	173,217	156,343
Amortization	975	1,044
(Increase) decrease in receivables	(7,408)	6,318
(Increase) decrease in prepaid insurance	(1,520)	(1,368)
Increase (decrease) in accounts payable and other accrued expenses	<u>8,612</u>	<u>(4,291)</u>
Total Adjustments	<u>173,876</u>	<u>158,046</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (27,355)</u></u>	<u><u>\$ (6,424)</u></u>
Supplemental Disclosure:		
Cash paid for interest (net of amount capitalized)	<u><u>\$ 34,155</u></u>	<u><u>\$ 38,155</u></u>

The accompanying notes are an integral part of the financial statements.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

Note 1 - Summary of Significant Accounting Policies

Waterworks District No. 7 of Wards 6 and 4 was created by the Calcasieu Parish Police Jury, as authorized by Louisiana Revised Statute 33:3811. The Waterworks District is governed by a five-member board of commissioners who are appointed by the police jury and are responsible for providing water service to users within the boundaries of the district.

In conformance with the National Council on Governmental Accounting, Statement 3, Waterworks District No. 7 of Wards 6 and 4 is a component unit of the Calcasieu Parish Police Jury, the governing body of the parish. The accompanying financial statements present information only on the fund maintained by Waterworks District No. 7 of Wards 6 and 4 and do not present information on the Calcasieu Parish Police Jury and the general government services provided by that governmental unit.

Fund Accounting

The accounts of the District are organized on the basis of a proprietary fund, which is considered a separate accounting entity or enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting

The District has implemented GASB Statement No. 34, "Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments."

Proprietary fund statements of net assets and revenues, expenses, and changes in fund assets are presented using the economic resources measurement focus and the accrual basis of accounting. The revenues are recognized when they are earned, and expenses are recognized when incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for water services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

Note 1 - Summary of Significant Accounting Policies (Continued)

GASB No. 20 requires that governments' proprietary activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The District has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at cost less an allowance for doubtful accounts. Accounts are considered delinquent when 30 days past due (based on days since last payment). The allowance account consists of an estimate of uncollectible specifically identified accounts and a general reserve. Management's evaluation of the adequacy of the allowance is based on a continuing review of all accounts and includes a consideration of past user history, any adverse situations that might affect the user's ability to repay, and current economic conditions. The need for an adjustment to the allowance is considered at year end. Amounts charged-off that are subsequently recovered are recorded as income.

Property, Plant, and Equipment

All fixed assets of the proprietary fund are recorded at historical costs, or, if contributed property, at their estimated fair value at the time of contribution. Depreciation of all exhaustible fixed assets is charged as an expense against their operations.

The costs of normal repairs and maintenance that do not add to the value of the assets or materially extend assets lives are recorded as expenses; renewals and betterments of \$1,000 or more are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation is provided in this enterprise fund in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives range from 5 to 40 years. Land costs are not depreciated.

Depreciation expense for the years ended September 30, 2010 and 2009 was \$173,217 and \$156,343, respectively.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

Note 1 - Summary of Significant Accounting Policies (Continued)

Additions and deletions to property plant, and equipment for the year ended September 30, 2010 were as follows:

	Beginning of Year	Additions	Disposals Transfers	End of Year
Land	\$ 38,564	\$ -	\$ -	\$ 38,564
Construction in Progress	-	-	-	-
Capital Assets Being Depreciated:				
Water Plant	3,869,434	64,895	-	3,934,329
Buildings	129,038	-	-	129,038
Office Furniture and Equipment	20,328	-	-	20,328
Meters and Equipment	604,928	36,447	(13,704)	627,671
Total Capital Assets Being Depreciated	4,623,728	101,342	(13,704)	4,711,366
Less Accumulated Depreciation	(2,395,384)	(173,217)	13,704	(2,554,897)
Total Capital Assets Being Depreciated, Net of Depreciation	2,228,344	(71,875)	-	2,156,469
Total Capital Assets, Net	\$ 2,266,908	\$ (71,875)	\$ -	\$ 2,195,033

Budgets and Budgetary Accounting

The District adopts a budget annually for operating expenses. The budget is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, revenues, non-operating income and certain non-operating expense items are not considered. The budget for the District is not presented in these statements.

Risk Management

The Water District purchases fidelity bonds, worker's compensation coverage and general liability and property insurance from a commercial insurance carrier in order to manage its risks. During the years ended September 30, 2010 and 2009, the District contributed premiums of \$23,001 and \$24,411, respectively. There were no significant reductions in insurance coverage from the prior year.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Taxes

For the years ended September 30, 2010 and 2009, taxes of 4.00 mills were levied on all the taxable property in Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana. These taxes were dedicated for the Maintenance Fund.

The following is a schedule of the 2009 property tax calendar that is applicable to the District:

1. Levy date - October, 2009
2. Billing date - November, 2009
3. Collection dates - December, 2009 - May, 2010
4. Due dated - On receipt
5. Delinquent date - December 31, 2009
6. Lien date - June, 2010

These taxes, less certain uncollectible amounts, collection costs and adjustments, plus minor amounts of prior year taxes are reported for the fiscal year ended September 30, 2010.

Note 2 - Restricted Assets

Restricted assets were applicable to the following at September 30,

	2010	2009
Water Depreciation and Contingency Fund	\$ 69,349	\$ 65,211
Water Reserve Fund	84,339	84,339
Water Revenue Bond and Interest Sinking Fund	82,779	82,821
General Obligation Bond and Interest Sinking Fund	117,672	132,131
Customer Deposits Fund	79,100	76,400
Cash with Fiscal Agent	27	27
	<u>\$ 433,266</u>	<u>\$ 440,929</u>

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

Note 2 - Restricted Assets (Continued)

The Revenue Bond Resolution contains certain restrictive covenants which, among other things, require the establishment and maintenance of a "Water Revenue Bond and Interest Sinking Fund" (the "Sinking Fund") to ensure the prompt payment of principal and interest installments as they become due. The Resolution requires that a sum equal to one-twelfth of the total amount of principal and interest falling due in the ensuing year be restricted on a monthly basis. The Resolution also requires that five percent (5%) of the amount to be paid into the "Sinking Fund" for the month be restricted until such time that the accumulated balance is equal to the highest combined principal and interest falling due in any year. In addition, a sum equal to five percent (5%) of the amount to be paid monthly into the "Sinking Fund" is required to be deposited monthly in the "Depreciation Fund" to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. Proceeds from refundable customer deposits are also restricted for the repayment of meter deposits.

An ad valorem tax is levied, assessed and imposed on all the taxable property in Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, for the purpose of paying the principal and interest on the General Obligation Bonds. Tax revenues received that are dedicated for such purposes are required to be restricted.

Note 3 - Bonds Payable

The following is a summary of bond transactions of the Waterworks District for the year ended September 30, 2010

	<u>Revenue Bonds</u>	<u>General Obligation Bonds</u>
Outstanding at September 30, 2009	\$ 535,000	\$ 14,000
Redeemed in Year	<u>(56,000)</u>	<u>(14,000)</u>
Outstanding at September 30, 2010	\$ <u>479,000</u>	\$ <u>-0-</u>

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

Note 3 - Bonds Payable (Continued)

Revenue Bonds:

\$832,000 Water Revenue Bonds, Series 2002, due in annual principal installments of \$17,000 - \$79,000 through November 1, 2016, plus interest at 5.29%

\$ 479,000

Less deferred loss

(26,964)

452,036

Less current maturities

(59,000)

\$ 393,036

The annual requirements to amortize all debt outstanding as of September 30, 2010 are as follows:

Revenue Bonds

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 59,000	\$ 23,779	\$ 82,779
2012	61,000	20,605	81,605
2013	65,000	17,272	82,272
2014	68,000	13,754	81,754
2015	72,000	10,051	82,051
2016-2017	154,000	8,252	162,252
Total	\$ 479,000	\$ 93,713	\$ 572,713

Note 4 - Cash and Cash Equivalents

The District had cash and cash equivalents (book balance) as of September 30, 2010 and 2009 as follows:

	<u>2010</u>	<u>2009</u>
Demand Deposits	\$ 239,812	\$ 261,548
Interest-Bearing Demand Deposits	692,398	364,502
Other	150	150
Total	\$ 932,360	\$ 626,200

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

Note 4 - Cash and Cash Equivalents (Continued)

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial Credit Risk is the risk that in the event of bank failure, the District's deposits may not be returned. At September 30, 2010, the District had \$942,882 in deposits (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance and \$2,092,022 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Note 5 - Investments

Louisiana law authorizes and directs municipalities, parishes, school boards, and any other political subdivisions of the state to invest public funds only in certain investments. These investments include, but are not limited to: (1) direct United States Treasury obligations, the principal and interest of which are fully guaranteed by the government of the United States; (2) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by either federal agencies or U.S. government instrumentalities, which are federally sponsored; (3) direct security repurchase agreements; (4) time certificates of deposit; and (5) mutual or trust funds.

At September 30, 2010 and 2009, the District had two certificates of deposit with a fair value of \$10,552 and \$310,118, respectively. These deposits were secured from risk by \$10,552 and \$250,000, respectively, of federal deposit insurance as well as pledged securities shown above in note 4.

Note 6 -Flow of funds: Restrictions on Use - Utilities Revenues

Under the terms of the bond resolution on outstanding Water Revenue Bonds dated April 2, 2002, all income and revenues of every nature, earned and derived from operation of the waterworks system are pledged and dedicated to the retirement of said bonds and the payment of expenses of operating and maintaining the system. Such revenue is to be deposited into a separate and special bank account to be administered in the following order of priority and for the following purposes:

The payment of all reasonable and necessary expenses of administration, operation and maintenance of the system.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

Note 6 -Flow of funds: Restrictions on Use - Utilities Revenues (Continued)

The establishment and maintenance of a Water Revenue Bond and Interest Sinking Fund by transferring from the Operating Account each month an amount constituting 1/12 of the next maturing installment including interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

The establishment and maintenance of a Water Reserve Fund by transferring from the Operating Account each month an amount at least equal to 5.0% of the amount to be paid into the Sinking fund described above until there shall have been accumulated in the Reserve account an amount equal to the maximum principal and interest requirements in any one maturity year. The money in said account is to be retained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default.

The establishment and maintenance of a Water Depreciation and Contingency fund by transferring from the Operating Account a sum equal to 5.0% of the amount to be paid monthly into the Sinking Fund each month to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. Money in this fund may also be used to pay principal or interest on the bond falling due at any time if there is not sufficient money for payment in the other bond funds.

The balance of the excess funds on deposit in the Water Revenue Fund, after the transfer of the required amount into the above noted funds, may be used for the purpose of calling and/or paying bonds or for any other lawful corporate purpose as the Governing Authority may determine.

Note 7 - Retirement System

Full-time employees are members of the Parochial Employees' Retirement System of Louisiana, a Public Employee Retirement System (PERS), which is the administrator of a cost sharing multiple-employer plan.

Fiscal year ending September 30, 2010 payroll was \$234,233, of which \$199,567 was covered by the Plan.

Fiscal year ending September 30, 2009 payroll was \$226,061, of which \$226,061 was covered by the Plan.

Any person who is a permanent employee and works at least 28 hours a week and whose compensation is paid wholly or partly by a covered employer is covered by this system.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

Note 7 - Retirement System (Continued)

Plan Benefits

Plan A Fund Benefits:

Any member is eligible for normal retirement if he has at least 30 years of creditable service regardless of age, 25 years of creditable service and is at least age 55, 10 years of creditable service and is at least age 60, or 7 years of creditable service and is at least age 65. For employees hired after January 1, 2007, a member is eligible for normal retirement if he has at least 30 years of creditable service and is at least age 55, 10 years of creditable service and is at least age 62, or 7 years of creditable service and is at least age 67.

The retirement allowance is equal to three percent of the member's final average compensation (defined as the average of the highest consecutive 36 months (60 months for members hired January 1, 2007 and later)) multiplied by his years of creditable service; however, any employee who was a member of the supplemental plan only prior to the revision date has the benefit earned for service credited prior to the revision date on the basis of one percent of final compensation plus two dollars per month for each year credited prior to the revision date, and three percent of final compensation for each year of service credited after the revision date. The retirement allowance may not exceed the greater of one hundred percent of a member's final salary (last 12 months) or the final average compensation.

A member is eligible to retire and receive disability benefits if he has at least 5 years (7 years if hired January 1, 2007 and later) of creditable service, is not eligible for normal retirement and suffers disability, which has been certified by the State Medical Disability Board. The rate is 3% of the member's final compensation multiplied by his years of creditable service under certain conditions outlined in the statutes.

Upon death of a member with 5 or more years of creditable service, the Plan provides benefits for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 30% to 60% of the member's final compensation.

Deferred Retirement Option

In lieu of terminating employment and accepting a service retirement allowance, any member who is eligible for a normal retirement allowance may elect to participate in the Deferred Retirement Option Plan, and defer the receipt of benefits.

The duration of participation in the plan shall be specified and shall not exceed three years.

Upon the effective date of the commencement of participation in the plan, membership in the system shall terminate. Employer contributions shall continue to be payable by the employer during the person's participation in the plan, but payments of employee contributions shall cease upon the effective date of the person's commencement of participation in the plan.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

Note 7 - Retirement System (Continued)

The monthly retirement benefits that would have been payable, had the person elected to cease employment and receive a service retirement allowance, shall be paid into the Deferred Retirement Option Plan fund, which shall not earn interest.

Upon termination of employment at the end of the specified period of participation, a participant in the plan shall receive, at his/her option, a lump sum payment from the Deferred Retirement Option Plan fund equal to the payments made to that fund on his/her behalf, a true annuity based upon his/her account in that fund, or roll over the fund to an Individual Retirement Account.

Contributions

The actuarially required employer contribution for Plan A was determined by adding to the normal cost an amortization payment on the unfunded accrued liability which was based on a 40 year annuity with payments increasing at 4% per year. This payment method conforms to legislation passed during 1988 by the Louisiana Legislature.

Member Contributions:

Member contributions, established by Statute at 9.50% of total compensation for Plan A and 3.0% of total compensation for Plan B, are deducted from the member's salary. Employees contributed \$18,959 and \$17,301 in the year ended September 30, 2010 and 2009, respectively.

Employer Contributions:

Employer contributions are actuarially determined every fiscal year according to statutory process. Written notices of these rates are provided to employers annually. Employer rates for Plan A were 15.75%, 12.25% and 12.75% for the years ended September 30, 2010, 2009, and 2008, respectively. Employer contribution rates for Plan B were 10.00%, 6.25% and 6.00% for years ended September 30, 2010, 2009 and 2008, respectively. The District contributed \$34,796, \$28,181 and \$24,594 on behalf of its employees for the years ended September 30, 2010, 2009 and 2008, respectively.

The Parochial Employees' Retirement System of Louisiana issues a stand-alone financial report and can be obtained by contacting their office.

Note 8 - Compensated Absences

The District does not accrue compensated absences as they do not have a formal policy regarding compensated absences. Terminated employees do not receive compensation for unused time.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

Note 9 - Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 10 - Perpetual Servitude

In June, 1995, the Waterworks District entered into a perpetual servitude agreement for the right to drill and maintain water wells, construct and maintain water lines, and to perform such other tasks as may be reasonably related to the operation and maintenance of water wells on the property located next to the Waterworks District main office. The total cost of the agreement was \$8,000.

Note 11 - Deferred Loss

The remaining unamortized issuance costs associated with the Series 1991 General Obligation and Revenue Bonds are being amortized as a component of interest expense over the life of the current bonds.

Note 12 - Board of Commissioner's Fees

Members of the Board of Commissioners are paid a per diem allowance for attending board meetings. The total expenses for meetings attended during the year are as follows:

	<u>2010</u>	<u>2009</u>
Fred B. Fluitt, Jr.	\$ 720	\$ 420
Edwin A. Peterson	720	480
Sonny Watkins	660	540
Ivan J. Tarou	660	660
John K. Hollingsworth	360	420
Total	\$ <u>3,120</u>	\$ <u>2,520</u>

Note 13 - Deferred Tax Revenue

During the 2005 and 2004 tax years, the District assessed millage in excess of the required amounts to repay general obligation bonds. This excess amount has not been recognized as income and is therefore deferred until the amounts are either refunded or offset against future tax assessments.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

Note 14 - Prior Year Balances

Certain prior year amounts may have been reclassified to conform to current year presentation.

Note 15 - Subsequent Events

The District evaluated its September 30, 2010 financial statements for subsequent events through January 13, 2011, the date the financial statements were available to be issued. The District is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

Note 16 – Related Party Transaction

In July 2010, after no bids were received for the advertised sale of a District vehicle, the District's board of commissioners approved the sale of the vehicle to a board member in the amount of the minimum advertised bid price of \$3,000. This transaction is a violation of Louisiana Revised Statute 42:1113 that prohibits public servants from bidding or purchasing surplus property.

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Certified Public Accountants

Member Louisiana Society of
Certified Public Accountants

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana

I have audited the financial statements of the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, as of and for the year ended September 30, 2010, and have issued my report thereon dated January 13, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit I considered Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District No. 7's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider Item 2010-02 on the Schedule of Findings to be a material weakness.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider Items 2010-01 on the Schedule of Findings to be a significant deficiency.

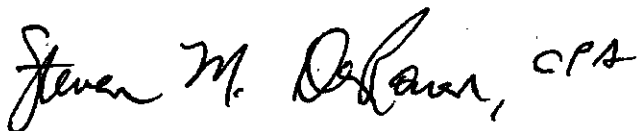
Board of Commissioners
Waterworks District 7 of Wards 6 and 4
Calcasieu Parish, Louisiana

Compliance and Other Matters

As part of obtaining reasonable assurance about whether financial statements of Waterworks District No. 7 of Wards 6 and 4 of Calcasieu Parish are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my test disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2010-03.

Waterworks District No. 7 of Wards 6 and 4 of Calcasieu Parish's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit Waterworks District No. 7 of Wards 6 and 4 of Calcasieu Parish's responses and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the management of Waterworks District No. 7 and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Steven M. DeRoux, CPA

Lake Charles, Louisiana
January 13, 2011

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 & 4
OF CALCASIEU PARISH, LOUISIANA
Dequincy, Louisiana
Schedule of Findings and Questioned Costs
September 30, 2010**

A. Summary of Independent Auditor's Results:

1. Unqualified opinion on financial statements.
2. Significant deficiencies in internal control – refer to B. 2010-01
Material weakness in internal control – refer to B. 2010-02
3. Noncompliance – refer to B. 2010-03

B. GAGAS Findings:

1. 2010-01 - Lack of Segregation of Duties

Finding: There appears to be a lack of segregation of duties with respect to the accounting functions of the District due to the size of the staff.

Management's Response: A proper segregation of duties is not feasible due to the small number of people involved in the District's day-to-day operations. Management has considered this weakness and determined that it would not be cost effective to employ sufficient personnel to obtain adequate segregation of duties.

2. 2010-02 - Financial Statement Reporting

Finding: The District maintains its books and records on the modified cash basis of accounting. The District relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the District's internal control structure and because of the limitations of the accounting staff, the design of the District's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Management Response: Management has considered this weakness and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to remove this deficiency.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 & 4
OF CALCASIEU PARISH, LOUISIANA
Dequincy, Louisiana
Schedule of Findings and Questioned Costs (Continued)
September 30, 2010**

B. GAGAS Findings (continued):

3. 2010-03 – Surplus Property Sale Violation

Finding: In July 2010, after no bids were received for the advertised sale of a District vehicle, the District's board of commissioners approved the sale of the vehicle to a board member in the amount of the minimum advertised bid price of \$3,000. This transaction is a violation of Louisiana Revised Statute 42:1113 that prohibits public servants from bidding or purchasing surplus property.

Management's Response: The District has instituted a policy that requires the District to review surplus property sale and bid law requirements prior to any sale to prevent any future instances of noncompliance.

C. Prior Year Findings:

1. 2009-01 – Lack of Segregation of Duties

Finding: There appears to be a lack of segregation of duties with respect to the accounting functions of the District due to the size of the staff.

Management's Response: A proper segregation of duties is not feasible due to the small number of people involved in the District's day-to-day operations. Management has considered this weakness and determined that it would not be cost effective to employ sufficient personnel to obtain adequate segregation of duties.

2. 2009-02 - Financial Statement Reporting

Finding: The District maintains its books and records on the modified cash basis of accounting. The District relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the District's internal control structure and because of the limitations of the accounting staff, the design of the District's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Management Response: Management has considered this weakness and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to remove this deficiency.